

Current Budget Scenario

After a record-setting 118-day session, the Idaho Legislature ultimately settled on a budget blueprint that called for a one-cent sales tax increase, a cigarette tax increase from 28 cents to 57 cents a pack, and a spending plan that cut about \$20 million from the Governor's budget recommendation; providing status quo budgets for Public Schools, Higher Education, Health & Welfare and Corrections, but reducing most other small and medium sized agencies an average of 5.7%. While resolving the revenue and spending issues was a lengthy and difficult process, the actions taken are expected to resolve Idaho's structural budget gap.

FY 2003:

General Fund revenue collections closed out the fiscal year in May and June about \$16.0 million ahead of projections, putting the overall collections for FY 2003 about 2.8% over the actual collections in FY 2002. Although the fiscal year as a whole fell short of the original legislative revenue projection of \$1.753 billion by about one percentage point, it was encouraging to have the last two months of the fiscal year exceed the projection. This created a small surplus of \$15,745,000 going in to FY 2004.

REVENUES

Beginning Balance	\$ 1,416,200
FY 2003 Actual Revenue Collections	
(2.8% over FY 2002)	1,737,498,200
Plus one month's sales tax increase	13,000,000
Transfers from various cash reserves	194,301,500
Transfers for deficiency warrants	(4,516,500)
Miscellaneous adjustments	(424,300)
TOTAL REVENUES	\$ 1,941,275,100

APPROPRIATIONS

Original Appropriations	\$ 1,967,895,400
Reappropriations	1,416,200
Net Supplementals	(50,700)
3.5% Holdback (SB 1194)	(19,476,900)
Reversions and directed reductions	(22,478,800)
Reappropriations	(2,061,300)
Miscellaneous adjustments	286,200
TOTAL APPROPRIATIONS	\$ 1,925,530,100

<u>ENDING BALANCE</u>	\$ 15,745,000
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The revised revenue estimate for FY 2004 projects a 3.2% increase over FY 2003 actual collections. Added to that base figure are the tax law changes enacted by the Legislature, the largest of which is the sales tax increase, as well as the federal tax relief funds. At this early point in the fiscal year, an ending balance exceeding \$42.0 million is projected.

The biggest impact to the budget scenario for FY 2004 is the cushion provided by the federal tax relief package. On the revenue side, Idaho will receive \$50 million in basically unrestricted monies, which then brings the total revenues available to the state at \$2.043 billion. The other major part of the federal relief package is on the spending side, where the Medicaid match rate is reduced, and will save approximately \$15.4 million after caseload changes.

While the current budget situation is manageable for the time being, it is important to keep in mind the federal fiscal relief is one-time only and will not be available for FY 2005. Further, the sales tax increase is slated to sunset at the end of FY 2005 and will result in the reduction of about \$180 million for the FY 2006 budget.

REVENUES

Beginning Balance	\$ 15,745,000
FY 2004 Revised Revenue Estimate	
(3.2% over actual collections)	1,793,534,900
One cent sales tax increase (HB 400)	165,400,000
Exempt preexisting contracts (HB 452)	(9,000,000)
Cigarette tax increase (HB 264)	22,550,000
All other statutory revenue changes	5,690,000
Plus federal flexible grant funds	50,000,000
Subtotal of General Fund Revenues	<hr/> \$ 2,043,919,900
Less transfer to Democracy Fund	(167,000)
Total General Funds Available	<hr/> \$2,043,752,900

APPROPRIATIONS

Original FY 2004 Appropriations	\$ 2,004,053,000
Reappropriations	2,061,300
Supplementals (fire suppression)	10,285,000
Net Medicaid match reduction	(15,404,700)
Total Appropriations	<hr/> \$ 2,000,994,600

<u>ESTIMATED ENDING BALANCE</u>	\$ 42,758,300
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